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STATE FOR AF/W (B. BACHMAN), AF/EPS (M. NORMAN)

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SUBJECT: Mauritania: Input for the Annual AGOA Report

Ref: State 26707

¶1. Mauritania was one of the first 34 countries to be found eligible in 2000 for the trade benefits of AGOA. On December 22, 2005, however, President Bush terminated Mauritania's designation as of January 1, 2006, because Mauritania is not meeting the required criteria of making continual progress toward establishing the rule of law and political pluralism.

¶2. This requirement ceased to be fulfilled when a military coup took place on August 3, 2005. Despite the several positive steps the transitional government has taken to prepare for democratic elections, the fact remains that the present military junta came to power by force, rules by decree and is illegitimate. AGOA eligibility could be reinstated through the successful holding of democratic elections and the inauguration of a constitutional government, and in the presence of continuing progress in the fields of economic reform, human rights and good governance.

Economic Situation

¶3. Mauritania is a large country of 1.3 million square kilometers with only 3 million inhabitants. In 2004, the GDP per capita was estimated at \$526, the real GDP growth was 6.9% and the population growth rate was 2.9%. The Mauritanian government has managed most of its macro-economic deficits through restructuring programs and the implementation of some budgetary policies to keep prices at a reduced level. The lack of foreign currencies in Commercial Banks, however, counterbalances this measure. Mauritania's challenges are the persistent poverty affecting 40% of the population, a fragile economy and poor diversification of exports. Persistent droughts, widespread desertification, flooding, and the effects of the massive locust invasion in 2004 have strained the country's finances. The country is suffering from rapid urbanization, extensive unemployment, pervasive poverty, and a burdensome foreign debt. The concentration of much of the country's wealth in the hands of a small elite, as well as a lack of transparency and accountability in certain areas of governance, impede economic growth.

¶4. In 2002, Mauritania reached its completion point under the enhanced HIPC initiative and Mauritania was declared eligible for debt relief. As a result, Mauritania received approximately \$1.1 billion in debt relief. However, the IMF concluded in May 2005 that the disbursement was non-complying because Mauritania had provided inaccurate information to the IMF. As a result, Mauritania voluntarily repaid the disbursement. The IMF also required Mauritania to provide corrected data for previous years before

implementing any new programs. After the coup, the transitional government announced it would cooperate with the IMF to provide corrected data for the previous years. The IMF Board may determine that Mauritania may need to repay noncompliant disbursements for the years 2001 and 2002. On December 21, the IMF delayed the cancellation of Mauritania's IMF debt under the Multilateral Debt Relief (G8) Initiative.

15. The Government of the Islamic Republic of Mauritania continues to encourage foreign direct investment and economic liberalization. Mauritania has no discriminatory policies against foreign investment, imports, or exports. The government's investment and development policy emphasizes private sector development and is seen as the main engine of economic growth. In line with ongoing World Bank/IMF structural reform programs, the government privatized several parastatals in the late 1990's, encouraging foreign investors to purchase shares. The orientation towards privatization and liberalization is expected to continue in 2006.

16. Foreign investors generally receive the same treatment as Mauritanian investors, subject to the provisions of treaties and agreements concluded by the government with other countries. Foreign investors have the same access as Mauritians to courts of law. Nonetheless, the success of foreign investors will depend in large part on their successful collaboration with local partners who understand the local market and government. Contracts are protected by the civil and commercial codes, although court enforcement and dispute settlement can in practice be difficult to obtain.

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Rule of Law/Political Pluralism/Anti-Corruption

17. On August 3, 2005, President Maaouiya Ould Sid'Ahmed Taya was deposed in a bloodless coup. Military commanders, led by Colonel Ely Ould Mohammed Fal, seized power and established the ruling Military Council for Justice and Democracy to run the country. The council dissolved the Parliament and appointed a transitional government. The transitional government has promised a return to constitutional order through free and fair elections, culminating with a presidential election in March 2007 and the complete turnover of power no later than the end of May 2007. The transitional government has also made positive statements on reducing corruption, strengthening the justice system, increasing freedom of the press and opening the political system to political parties and political associations.

18. Although the law provides for the independence of the judiciary in practice the executive branch exercises significant influence over the judiciary through its ability to appoint and pressure judges. In addition, poorly educated and poorly trained judges who are susceptible to social, financial, and tribal pressures limit the judicial system's fairness.

19. Corrupt practices are widely believed to exist at all levels of Mauritanian government and society. Wealthy business groups and government officials reportedly receive frequent favors from authorities, such as unauthorized exemption from taxes, special grants of land, and favorable treatment during bidding on government projects. Mauritanian and non-Mauritanian employees at every level, and in every organization, are believed to flout Mauritanian tax laws and filing requirements. The only exceptions to this are the employees of the Mauritanian government, whose income taxes are automatically deducted from their pay. This widespread corruption deprives the central government of a significant source of revenue, weakening the capacity of the government

to provide necessary services.

¶10. Anti-corruption measures exist, but they have not been effectively enforced. Although the transitional government has subscribed to a broad good governance program, giving or accepting bribes is still not considered a criminal act under current Mauritanian law. Mauritania is not a signatory to the OECD Convention on Combating Bribery. Corruption is most pervasive in government procurement, bank loans, fishing license attribution, land distribution, and tax payments. There is no systematic annual auditing of government accounts.

¶11. The only international organization for transparency that operates in Mauritania is the Swiss-based SGS, confined to the inspection of imports. Last September, Mauritania announced its intention to adhere to the Extraction Industry Transparency Initiative after repeated requests from the World Bank, IMF and foreign oil explorer consortium.

Human Rights/Labor/Child Labor

¶12. Both the former and transitional government's human rights records remain poor; although there are some improvements in a few areas, serious problems remain. The following human rights problems were reported: citizens' inability to change their government, arbitrary arrest and detention with prolonged pretrial detention, harsh prison conditions and ethnic and racial tensions as a result of the under-representation of largely southern based ethnic groups in political life.

¶13. Both the former government and the present transitional government made appreciable progress in combating trafficking, particularly in victim protection and in raising public awareness of new trafficking-related laws. The transitional government has respected the former government's trafficking policies but has demonstrated greater diligence in its counter trafficking efforts.

¶14. Mauritanian law provides for freedom of association and the right of citizens to join any labor organization, and workers exercises this right in practice. All workers except members of the military and police were free to associate in and establish unions at the local and national levels. To be legally recognized, a union must have the authorization of the public prosecutor who can provisionally suspend a trade union at the request of the Ministry of the Interior if it

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believes that the union has not complied with the law. The government, however, has the power to decide whether to recognize a trade union.

¶15. The majority of the labor force is in the informal sector, with most workers engaged in subsistence agriculture and animal husbandry. Nearly 90 percent of industrial and commercial workers, however, are unionized. The law provides that unions may organize workers freely without government or employer interference, and workers exercise this right in practice. General or sector agreements on wages, working conditions, and social and medical benefits are negotiated in tripartite discussion and formalized by government decree. Wages and other benefits could also be negotiated bilaterally between employer and union, and the results of such negotiations are filed with the Directorate of Labor. Although the directorate has the ability to change the negotiated settlement between labor and business, there were no known cases of such action during the previous year. The government can dissolve a union for what it considered an "illegal" or "politically motivated" strike; however, no unions were disbanded during the previous year.

¶16. The former government ratified an updated labor code in

2004 that included significant improvements in health-care entitlements, including the introduction of maternity leave; an improved paced-arbitration system; and a series of laws prohibiting forced labor in any form.

¶17. The law prohibits forced or compulsory labor, including by children, but the law only applies to relations between employers and workers. Slavery is illegal although there are still areas where the attitude of master and slave prevail and slavery is practiced

¶18. The law provides that children cannot be employed before the age of 14 in the nonagricultural sector or under age 13 in the agricultural sector unless the minister of labor grants an exception due to local circumstances; however, child labor in some parts of the informal sector was common and a significant problem, particularly within poorer inner-city areas. The law states that employed children between the ages of 14 and 16 should receive 70 percent of the minimum wage and that those between the ages of 17 and 18 should receive 90 percent of the minimum wage.

¶19. Young children in the countryside are commonly employed in herding, cultivation, fishing, and other significant labor in support of their families' activities. Young children in urban areas often drive donkey carts and deliver water and building materials. In keeping with longstanding tradition, many children serve apprenticeships in small industries and in the informal sector. Reporting by some human-rights NGOs strongly suggested that domestic employment, often unpaid, of girls as young as seven in wealthier homes is a growing problem. There is no child labor in the modern industrial sector.

¶20. There is a labor inspectorate with the authority to refer violations directly to the appropriate judicial authorities but the eight inspectors lack the basic resources, such as transport and office equipment, needed to enforce existing child labor and other labor laws.

¶21. The government has signed and ratified ILO Convention

¶182. The government has not signed or ratified ILO Convention 29 and 105, the Optional Protocol on the Convention of the Rights of the Child, or the Protocol to Prevent, Suppress and Punish Trafficking in Persons.

LeBaron